Characteristics of less developed economy	*Characteristics of developed economy*
7. High incidence of poverty and unemployment.	7. Low incidence of poverty and unemployment.
8. Use of primitive type of technology in some production process.	8. Use of most modern technology of production process.
9. High proportion of adult illiteracy.	9. High proportion of adult literacy.
10. Higher incidence of child labour.	10. Non-existence of child labour.
11. Higher incidence of gender discrimination (e.g., wage differential between male and female workers).	11. Lower incidence of gender discrimination.
12. Higher contribution of agriculture towards national income.	12. Higher contribution of the service sector (e.g., banking and insurance, trade and commerce, hotel and tourism, etc.) towards national income.
13. Low standard of living.	13. High standard of living.
14. Greater contribution of primary products (e.g., agricultural products) towards export earnings.	14. Greater contribution of the industrial and service sector towards export earnings.
15. Poor health and sanitation facilities.	15. Adequate health and sanitation facilities.

In this section we have shown the differences between less developed and developed economies in tabular form. The developing economies indicate a process of transformation from such less developed stage towards a developed stage of economic development.

■ **Features of a developing economy :** In case of developing economies, we observe

(1) Gradual rise in per capita income from a low level.

(2) Gradual rise in per capita saving and capital formation.

(3) Gradual decline of the contribution of the agricultural sector towards national income.

(4) Gradual expansion of infrastructural facilities.

(5) Falling incidence of poverty, adult illiteracy, gender discrimination, etc.

(6) Gradual shift in occupational structure in favour of industrial and service activities.

(7) Gradual improvement in the standard of living of common people.

(8) Gradual improvement in science and technology, etc.

1.3.5. Development experience of India

The development experience of India can be discussed in the following manner :

(i) Features of economic underdevelopment in India since independence ; and

(ii) Signs of a developing economy.

1.3.6. Features of economic underdevelopment in India since Independence

We can now point out briefly some of these features of economic underdevelopment in India since independence. Low rate of capital formation, high rate of population growth, excessive dependence on agriculture, large-scale unemployment and under-employment, underdeveloped infrastructure, etc. are some of the features of this economic underdevelopment in India.

(a) Low income : Low income of India can be reflected in a correct way, if we compare the per capita income of India with other developed countries of the world. In 1952-53, the per capita income in India was about one-thirtieth of the USA's per capita income and one-thirteenth of UK's per capita income. Thus, India was among the few poorest countries of the world at that time. The Government of India employed the technique of 'democratic planning' to give a boost to the low level of per capita

income. But despite some pious attempts by the Government and even after four and a half decades of development planning, India still remains one of the underdeveloped countries in terms of per capita income. Thus, in 2006, the per capita GNP of India was as low as $ 820 and increased to $ 1,530 in 2012. It was about 52 per cent of the per capita GNP of Sri Lanka, our neighbouring country (Table-4).

Table-4

Per Capita Income of Some Developed and Less Developed Countries

Country	Per capita GNP (in US $) in 2012
1. Switzerland	82,730
2. Japan	47,870
3. USA	50,120
4. UK	38,250
5. Sri Lanka	2,920
6. China	5,740
7. India	1,530

Source : *World Development Report, 2014, World Bank.*

(b) Low rate of capital formation : Capital is supposed to be the most important factor of economic development. Creation of domestic savings, mobilisation of such savings and its investment in productive channels, lead to capital formation in a country. Capital formation (say, in the form of physical capital like heavy machines, railway engines, motor vehicles, cargo ships, railway wagons, etc.) is required to increase the productivity of labour in different sectors of an economy. In 1950-51, the net savings and investment rate was around 8-7 per cent in India. The small size of capitalists, the conspicuous consumption of the land-owning class and high incidence of poverty were some of the basic reasons behind such low rate of capital formation in India at that time. Both savings and investment rates have increased in India during the plan periods. The rates of domestic savings and the domestic capital formation (i.e., investment) were about 31·3 per cent and 31·8 per cent respectively in 2011-12. There were some fluctuations in these rates during the plan periods. (Table-5). These rates of savings and capital formation can only help in achieving a modest rate of growth.

We can now compare the gross domestic savings and investment (as a percentage of gross domestic product) of India with other developing and developed countries of the world (Table-6). Although, it is observed that the gross domestic investment rate in India was as high as about 27 per cent in 2003-04, it is not adequate enough in view of the growing population pressure of our country.

Table-5

Savings and Capital formation in India during 1950-2012

Year	Trend in capital formation and savings (at current prices)	
	Gross Domestic Saving (as a % of Gross Domestic Product)	Gross Domestic Capital Formation (as a % of Gross Domestic Product)
1950-51	8·9	8·7
60-61	11·6	14·4
70-71	14·6	15·4
80-81	18·9	20·3

(contd.)

Year	Trend in capital formation and savings (at current prices)	
	Gross Domestic Saving	Gross Domestic Capital Formation (as a % of Gross Domestic Product)
90-91	23·1	26·3
91-92	22·0	22·6
92-93	21·8	23·6
93-94	22·5	23·1
94-95	24·8	26·0
95-96	25·1	26·9
96-97	23·2	24·5
97-98	23·1	24·6
98-99	21·5	22·6
99-00	24·2	25·3
2000-01	23·5	23·8
2004-05	31·1	31·5
2011-12	31·3	31·8

Source : *Economic Survey, 2004-05, 2006-07, 2014-15, Government of India.*

Table-6

Gross Domestic Savings and Investment in some Developed and Developing Economies

Country	Gross Domestic Capital Formation (as a % of GDP)		Gross Domestic Saving (as a % of GDP)	
	1980	2004	1980	1998
1. China	35	45	35	43
2. Japan	32	24	31	32
3. Sri Lanka	34	25	11	17
4. Switzerland	27	20	24	24
5. USA	20	18	19	16
6. UK	17	16	19	15
7. India	21	27	17	23

Source : *World Development Report, 1999-2000, 2006 ; Economic Survey (1998-99), Govt. of India.*

(c) Large population : Heavy population pressure or population explosion alongwith high growth rate of population is another characteristic of the Indian economy. Total population of India was 361·1 million in 1951 and it had increased to 846·3 million in 1991. During 1981-91, the average annual growth rate of population was about 2·35 per cent [Table-7]. India's population has increased to 1210 million in the year 2011 and the average annual growth rate of population is 1·64 per cent during 2001-11. This is shown in the population census report of 2011. If population increases at the present rate, then India's population would be about 1394 million during the period 2016-2020.

Table-7

Size and Growth of Population in India during 1951-2011

Year	Total population (Million)	Average annual growth rate (%)
1951	361·1	1·3
1961	439·2	2·2
1971	548·2	2·5
1981	683·3	2·5
1991	846·3	2·15
2001	1028·61	1·94
2011	1210·19	1·64

Source : Census of India, 2001, 2011.

There are mainly three reasons for such growing population pressure :

(a) high birth-rate,

(b) falling death-rate,

(c) huge influx of refugees from adjoining countries.

This growing population imposes an enormous economic burden upon the society, because the growing requirements of food, clothing, shelter and other necessities of life are to be met by the Government.

(d) High dependence on agriculture : The occupational structure of the Indian economy shows that a high proportion of working population is engaged in agriculture. In 1951, about 72·7 per cent of the work-force was engaged in agriculture. Although this figure has come down to about 49 per cent in 2011, agriculture still houses the largest portion of the work-force in India [Table-8].

Table-8

Occupational Structure in India

(% of working population engaged)

Sector	1951	1961	1971	1981	1991	2001	2011
(1) Primary	72·7	72·3	72·6	69·3	67·4	59·8	48·9
(2) Secondary	10·0	11·7	10·7	12·9	12·1	16·7	24·3
(3) Tertiary	17·3	16·0	16·7	17·8	20·5	23·5	26·8
Total	100·0	100·0	100·0	100·0	100·0	100·0	100·0

Source : Census Reports ; Planning commission's Report (2001) on labour and Employment ; NSSO Reports.

Thus, most of the working people in India are engaged in land-based activities (or primary activities). Up to 1980-81, the primary sector (consisting of agriculture, forestry, fishery and mining) contributed the maximum proportion of gross Domestic Product (GDP) of India. The Economic Survey (2014-15) report of the Government of India shows that in 2011-12, about 15·5 per cent of the Gross Domestic Product was contributed by the primary sector, 24·5 per cent by the secondary sector and 60·0 per cent by the tertiary or the service sector (Table-9).

Table-9

Share of different Sectors in GDP

Sector	(at 1993-94 prices)				(at 2004-05 prices)
	1950-51	1970-71	1980-81	1990-91	2011-12
(1) Primary	59·2	48·1	41·8	34·9	15·5
(2) Secondary	13·3	19·9	21·6	24·5	24·5
(3) Tertiary	27·5	32·0	36·6	40·6	60·0
Total	100·0	100·0	100·0	100·0	100·0

Source : Economic Survey (Several Issues), Government of India.

In case of developed countries, however, a very small portion of the work-force is dependent on agriculture for their livelihood. For example, in UK, only about 1·5 per cent of the working people were dependent on agriculture and this sector contributed only about 1 per cent of the Gross National Product (GNP) of UK in 2001. In case of such developed countries, most of the working people are engaged in the secondary sector (i.e., industrial sector) and tertiary sector (i.e., trade and commerce, banking and insurance, etc.).

(e) Unemployment and underemployment : Rapid growth in population coupled with inadequate job opportunities in the secondary and tertiary sectors, resulted in such an unemployment and under-employment situation in India. The problem of disguised and seasonal unemployment in the rural sector and the problem of unemployment among the educated and skilled workers, particularly in urban areas, have been increasing in India during the plan periods.

In case of Indian agriculture, a much larger number of farmers and agricultural labourers are engaged in production than are really needed. So, even if we withdraw a part of the labour-force from this sector, total output would remain unchanged. Hence, their contribution to agricultural output is almost nil. So, this feature may be called 'concealed' or 'disguised' unemployment. It is, however, very difficult to estimate such disguised unemployment in Indian agriculture. Thus, even if the labourers are engaged in agricultural activities, they may not earn sufficient income to maintain a minimum acceptable life-standard. Apparently it seems that everyone is employed, but in reality sufficient full-time work is not available for all. Hence, they remain under-employed.

Again, in the absence of proper irrigational facilities and subsidiary occupational opportunities, multiple cropping is not possible in almost all the rural areas of India. Thus, a huge number of rural workers have to remain idle for about 5-7 months in any year. This is called *seasonal unemployment*.

According to the estimation of the Planning Commission and some other researchers, the backlog of unemployed at the end of the first five-year plan (i.e., in 1955-56) was about 5·3 million. About 3 per cent of the labour-force remained unemployed at that time. It is now estimated that this backlog of unemployed would be about 132 million at the end of the tenth five-year plan (i.e., in 2006-07). The total number of educated unemployment has also increased from 5·9 lakh in 1962 to about 230·5 lakhs in 1994. The Report of the National Sample Survey Organisation (NSSO) in 1999-2000 had indicated an increase in **unemployment rate** (i.e., number of unemployed as a percentage of total labour Force) from 5·99 per cent in 1993-94 to 7·32 per cent in 1999-2000. In 2006-07, the NSSO report has shown that unemployment rate has increased during 1999-2005 because the growth rate in employment was less than the growth rate in labour force. This is shown in Table-10.

Table-10

Growth rate of labour force and employment in India during 1983-2005 (Growth rate per annum)

Growth rate	1983-84 to 1993-94	1993-94 to 1999-2000	1999-2000 to 2004-05
1. Labour force	2·06	1·60	2·93
2. Employment	2·09	1·57	2·48

Source : Economic Survey (2006-07), Govt. of India.

(f) Underdeveloped infrastructure : Growth in infrastructure is supposed to be the prime-mover in the process of economic growth in any country. Infrastructural facilities, often termed as social and economic overheads, consist of the following :

(a) Transport and communication facilities (i.e., railways, roads, shipping, civil aviation, posts and telegraphs, telecommunications, etc.).

(b) Energy (i.e., coal, crude oil, electricity and non-conventional sources).

(c) Banking and insurance.

(d) Science and technology.

(e) Social overheads (i.e., health and hygiene, educational institutions, etc).

All these facilities and services constitute collectively the infrastructure of an economy. Development and expansion of these facilities are an essential part for the growth in industrial and agricultural production.

At the time of independence, these facilities were very poor in India. So Indian planners gave maximum priority to development of infrastructural facilities during the plan periods. Table-11 shows that the production of coal and crude oil and the generation of electric power remained at a low level in 1950-51. In the fields of transport and communication also, we get the same picture. There has been substantial progress in infrastructural facilities during the plan periods, but when we compare our position with other developed countries of the world (say, in terms of per capita power consumption or, in terms of *teledensity*, i.e., number of telephone lines per 100 people), we realise that we are still far behind these countries (Table-12).

Table-11

Progress in Infrastructural Facilities in India during the Plan Periods

1. Energy	*Unit*	1950-51	60-61	70-71	80-81	90-91	01-02	04-05
(a) Production of coal	Mill. tonnes	32	55·7	72·9	113·9	211·7	327·79	382·61
(b) Production of lignite	Mill. tonnes	neg.	0·1	3·4	5·1	13·8	24·81	30·34
(c) Electricity generated	Bill. Kwh.	5·1	16·9	55·8	110·8	264·3	517·4	594·4
(d) Production of Petroleum (crude)	Mill. tonnes	0·3	0·5	6·8	10·5	33·0	32·0	34·0
2. Transport								
(a) Road length	'000 km.	400	525	918	1491	1998·2	2600	3340
(b) Railway route length	'000 km.	53·6	56·3	59·8	61·3	62·4	63·1	63·5
(c) Railway route length (electrified)	'000 km.	0·4	0·8	3·7	5·4	10·0	16·0	17·5
(d) Direct telephone exchange lines	'000	84	483	1293	2296	5075	38100	40300

Source : Economic Survey (various reports), Govt of India.

Table-12

International Comparison of Power Consumption and Telecommunication Facility

Country	Per capita consumption of electric power (kilowatt-hours)			No. of telephone lines (per 100 people)
	1980	2001	2006	2003
1. India	130	561	503	6·60
2. Sri Lanka	96	354	400	9·57
3. Bangladesh	16	115	146	1·56
4. China	253	1,139	2,040	42·32
5. Indonesia	44	469	530	9·17
6. USA	8,914	13,241	13,515	116·43
7. Japan	4,395	8,203	8,220	N.A.
8. UK	4,160	6,631	6,192	143·13

Source : World Development Report : 1999-2000, 2009-10 ; Economic Survey (2003-04), Government of India ; Human Development Report (2004), UNDP.

(g) Underutilised natural resources : Natural resources of any country consist of land and water resources, mineral resources, fisheries, marine resources, forests, rainfall and topography, etc. If the greater part of the available natural resources remains unutilised or underutilised, then the national output cannot reach its optimum level.

For example, estimates show that nearly 1675 thousand million cubic metres of water flow through India's river systems, of which around 660 thousand million cubic metres are capable of being used for irrigation. Out of the total surface water irrigation potential, less than 25 per cent was utilised in 1951. This proportion has increased to nearly 47 per cent over time.

Again, there is substantial hydro-electric potential in the sub-Himalayan regions of northern and north-eastern India. But, till 1995-96, only about 27 per cent of this potential was exploited.

Thus, a large part of the natural resources of India has remained unutilised.

(h) Low levels of technology and skills : Indian economy also suffers from low levels of technology and skill-formation. The low productivity per hectare in Indian agriculture and the low labour productivity, both in agriculture and industry, are largely a reflection of technological backwardness. Until recently, the application of modern technology was insufficient in Indian industries. Most of the small-scale industries adopt primitive or obsolete types of technology. Since modern techniques are expensive and require a considerable degree of skill for their application in production, most of the firms in small and medium-scale industries were unable to adopt such techniques. Adequate capital, proper education and training of an adequate number of personnel for skill formation are necessary in order to absorb new technology in any economy. But India lagged behind developed countries in all these fronts.

In the agriculture sector also, most of the farmers are too poor to purchase improved agricultural machinery, high yielding varieties of seeds, pump-sets, etc.

(i) Unsuitable social and political institutions : Although the socio-political structure of India during the post-independence period was quite different from that during British rule, it was not found to be congenial for the smooth growth of our economy. Our society was not free from caste and creed systems. These rigid systems not only lead to a rise in some unwanted social conflicts, but also restrict social mobility. The age-old caste system is supposed to be one of the most important reasons causing the lack of labour mobility in India. The gender-based discrimination and greater preference for male child also led to continuous fall in the child sex ratio (i.e., the number of female child per 1000 male child).

We can also point out the laws of inheritance and succession, and other inhibiting social institutions which led to the sub-division and fragmentation of land holdings. The small size of agricultural holdings are called "uneconomic size of holdings", because these holdings do not generate enough surplus for maintaining the minimum standard of living. Farmers cannot also apply any modern process of cultivation in such small holdings.

Thus, during the post-independence period, some of social institutions like caste system, joint family system, law of inheritance, etc., put some hindrances in the process of economic growth in India.

Along with such social institutions, the political institutions also were not suitable for quickening the process of economic growth. Existence of corruption and nepotism in Government offices, rivalry among political parties, lack of political consciousness among a huge number of illiterate and poverty-stricken populace, omnipotent influence of ex-zamindars and rich people in the leadership of political parties, etc., stand in the way of making our Government much more efficient and strong. Thus, economic development in India was also hindered by unfavourable political culture and political institutions.

(j) **Unsuitable attitudes :** Long years of British rule made the Indian people very timid and meek. They became very inward-looking and did not want to undertake new ventures. In the rural areas, people wanted to live in peace and they were content with their standard of living. Prevalence of old dogmas and taboos caused their attitudes to remain static. However, economic growth (in terms of a growth in Gross Domestic Product) and allround economic development (in terms of expansion in industrial output, agricultural output, literacy rate, technological development, equality in the distribution of income and wealth, etc.) demanded some fundamental changes in the attitudes and outlook of the people towards the economic progress of our country.

1.3.7. Signs of a developing economy : Indian experience

If we review the process of India's economic growth during the plan periods, we observe some dynamic characteristics of this growth process. Gradual increase in the real national income, real per capita income, agricultural and industrial production ; expansion of the industrial sector and export sector, application of modern technology in agriculture, industry and service sectors ; achievement of self-reliance in the production of foodgrains, capital equipment, etc., are some of the features of this dynamism.

Hence, the Indian economy should not be considered as a stagnant economy. Instead, considering the undercurrent of these dynamic features, the Indian economy should be regarded as a 'developing economy'. Thus, any economy which, despite its heavy population pressures and unemployment problems, possesses some dynamic features in its growth process and gradually moves towards economic self-reliance with a strong industrial and infrastructural base, should be regarded as a *developing economy*.

(a) **Growth in national product :** Economic growth, measured in terms of the growth in Gross Domestic Product (GDP), has always remained one of the principal objectives of India's Five Year Plans. Table-13 shows that the value of GDP at factor cost (at 2004-05 prices) increased from ₹ 2,79,618 crore in 1950-51 to about ₹ 55,86,683 crore in 2011-12. Gross National Income (GNI), Net National Income (NNI) and per capita National Income (NI) also indicated similar trends. The annual compound growth rate of NNI (at 2004-05 prices) and per capita NNI also increased from 4·6 per cent and 2·7 per cent per annum respectively during the First Plan (1951-56) to 7·6 per cent and 5·9 per cent per annum respectively during the Tenth Plan (2007-12).